

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 DODE-00 PM-05
H-01 L-03 NSC-05 PA-01 SS-15 /103 W
-----127787 011019Z /12

R 301828Z JUN 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9844
INFO AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL FRANKFURT
AMCONSUL HAMBURG
AMCONSUL MUNICH
AMCONSUL STUTTGART
USMISSION USBERLIN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO

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USEEC ALSO FOR EMBASSY: USOECD ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: ELAB, GW
SUBJECT: UNIONS OPPOSE TAX CUTS

REF: (A) BONN 8905; (B) BONN A-170; (C) BONN A-97;
(D) BONN 11475

SUMMARY: IN A SHARPLY WORDED STATEMENT THE GERMAN
TRADE UNION FEDERATION (DGB) REJECTS THE TAX REDUCTION
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PROPOSALS OF THE FRG COUNCIL OF ECONOMIC EXPERTS.
UNION SPOKESMAN SAYS THAT IMPLEMENTATION OF THE PRO-
POSALS WOULD FOUL THE SOCIAL CLIMATE AND INCREASE UN-
EMPLOYMENT. END SUMMARY.

1. THE GERMAN TRADE UNION FEDERATION (DGB) HAS TAKEN
A DISTINCTLY NEGATIVE VIEW OF THE RECENT TAX CUT

PROPOSALS OF THE FRG COUNCIL OF ECONOMIC EXPERTS (REF D). THE PRINCIPAL SPOKESMAN ON ECONOMIC POLICY FOR THE DGB, EXECUTIVE BOARD MEMBER ALOIS PFEIFFER, CHARGED THAT IMPLEMENTATION OF THE COMMISSION'S PROPOSALS WOULD NOT ONLY LEAD TO A "FURTHER DETERIORATION OF THE SOCIAL CLIMATE IN THE FRG" BUT WOULD ALSO GENERATE MORE UN-EMPLOYMENT.

2. PFEIFFER ENUMERATED THE FOLLOWING DGB OBJECTIONS TO THE COUNCIL'S PROPOSALS:

A) LOSSES IN TAX REVENUE COULD REACH AS MUCH AS DM 30 BILLION WHICH WOULD MAKE IT IMPOSSIBLE FOR THE GOVERNMENT TO CARRY OUT THE "NECESSARY SPENDING" FOR MANPOWER PROGRAMS.

B) ADDITIONAL TAX RELIEF FOR EMPLOYERS (WHICH PFEIFFER ASSERTED WOULD AMOUNT TO BILLIONS OF DM'S) WOULD NOT ENCOURAGE INVESTMENT TO EXPAND PRODUCTION BECAUSE OF A LACK OF MARKETS, BUT WOULD INHIBIT INFRASTRUCTURE INVESTMENTS AND THE EXPANSION OF JOBS IN THE SOCIAL SERVICES.

C) THE OFFSETTING INCREASE IN THE VALUE ADDED TAX WOULD INCREASE PRICES AND REDUCE CONSUMER DEMAND.

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D) THE COUNCIL OF ECONOMIC EXPERTS HAS FAILED TO CONSIDER THE PROBLEM OF JOB LOSSES CAUSED BY RATIONALIZATION.

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3. THE DGB HAS MADE ITS VIEWS PUBLIC PRIOR TO PARTICIPATION IN A MEETING JUNE 30 WITH LEADING EMPLOYER REPRESENTATIVES AS A PRELUDE TO MORE INTENSIVE DISCUSSIONS IN PREPARATION FOR THE ECONOMIC SUMMIT CONFERENCE IN JULY. PFEIFFER AS WELL AS DGB PRESIDENT VETTER AND CHEMICAL WORKERS PRESIDENT HAUENSCHILD WILL SIT DOWN WITH THE LEADERS OF THE MAJOR BUSINESS AND INDUSTRY ASSOCIATIONS FOR THE LIMITED OFFICIAL USE

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FIRST TIME SINCE THE UNIONS LEFT THE "CONCERTED ACTION" FORUM LAST SUMMER.

4. COMMENT: THE DGB POSITION ON THE COUNCIL'S TAX PROPOSALS FAVORING EMPLOYERS IS CONSISTENT WITH PREVIOUS DGB POSITIONS (REF C) AND WITH POLICY RESOLUTIONS ADOPTED LAST MONTH AT THE DGB NATIONAL CONVENTION IN HAMBURG (REFS A AND B). THE UNIONS ARE SKEPTICAL OF PROPOSALS THAT DEPEND ON THE PRIVATE SECTOR TO UNDERTAKE JOB PRODUCING INVESTMENTS. THEY PREFER THE GOVERNMENT TO INITIATE PROGRAMS FOR EMPLOYMENT DEVELOPMENT.
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